

15 July 1947

MEMORANDUM FOR ADBO

Thru: Office of General Counsel
From: SFD
Subject: Retirement Program

Special Funds Retirement

1. This office is informed that the eligibility of employees paid from Special Funds, with the exception of temporary appointments of one year or less, to participate in the Retirement system of the Federal Government has been established. There appears to be, however, some question as to whether legally all employees must participate in the Retirement plan, or whether some degree of option can be granted to employees. It is the opinion of the Deputy Chief, Finance Division, that compulsory participation is absolutely necessary, if not legally, from the point of view of Government policy. It is apparent to the undersigned that the latter is, at least, true, inasmuch as all other Government agencies insist upon full participation by employees. It also seems probable that the Government is very interested in insuring that retired employees do not become public charges and a consequent responsibility of the Government. To avoid this possibility, I believe it is in the interest of the Government to require its employees to safeguard their own future in this manner.

2. However, since it has not definitely been established that participation is obligatory, presumably this organization has the following options:

- a. Retirement privileges will be afforded employees only upon their written request.
- b. Compulsory retirement except to those employees who request in writing that they be exempted.
- c. Compulsory retirement except for covert employees.
- d. Compulsory retirement for all employees.

3. It is the opinion of the undersigned that option c should be adopted by the organization. The reasons for recommending compulsory retirement are as follows:

- a. To conform with governmental policy of insuring the future of retired employees.
- b. The fact that voluntary retirement would be extremely difficult

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to handle from an administrative point of view. Without question, on a voluntary basis many employees would initially decline to participate in the retirement program only to change their minds in later years. This would necessitate a great deal of historical research into past employment histories to establish the amounts of money which they must pay into the fund to obtain credit for their years of employment and to prepare records supporting periods of Government service.

The reasons for excluding covert employees are as follows:

- a. Retirement deposits should be reconcilable at all times to the pay accounts of all regular employees. Since covert employees are not handled in the Payroll Section, all covert projects and project records involving covert employees would have to be taken into consideration in effecting such reconciliation. Security factors preclude investigation of covert project records in conjunction with routine audit and accounting procedures. Further, it is conceivable that an audit might at some future date be required by outside governmental agencies, such as the General Accounting Office, of retirement deposits and related employee records. Obviously, consideration should be given at this time to the protection of data on covert employees.
- b. Covert employees for the most part have not remained in the employment of the Government for lengthy periods of time. Were they to participate in the retirement program, it would be necessary immediately upon severance of their service in Government to file records with the Retirement Commission establishing their period of service and the amount of their retirement contributions. Even though employment has ceased, the security factors most probably have not terminated.
- c. Even though covert employees are excluded from the Retirement program, proper records will be maintained so that at any future date should they desire and should the security factors permit, they can be furnished with proper records of service with the Government in any covert capacity, and can pay into the Government the Retirement contributions which would normally have been made concurrently with such service. Thus, the employee would not lose the benefits of the Retirement program, but the security of the organization could readily be preserved.
4. The establishment of the Agency Retirement Program on Unvouchered Funds employees is pending promulgation by the Director of agency policy with respect to the above mentioned alternatives. It is suggested that your recommendations as to the program be furnished to the Director so that said policy can be set forth and the program put into operation.

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